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SENSITIVE
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TAGS: [EFIN](#) [ETRD](#) [PREL](#) [ECON](#) [EINV](#) [PGOV](#) [NI](#)
SUBJECT: NIGERIA: U/S JEFFERY'S MEETING WITH MINISTRY OF FINANCE
OFFICIALS

REF: A. ABUJA 630
[1](#)B. ABUJA 372

SENSITIVE BUT UNCLASSIFIED - PLEASE HANDLE ACCORDINGLY

[1](#)1. (SBU) Summary: In a July 24 meeting with visiting Under Secretary for Economic Affairs Reuben Jeffery, senior Finance Ministry officials said their priorities were the Niger Delta, increasing power generation and transmission, and improving Nigeria's infrastructure to strengthen transportation links. They reiterated that while the Government of Nigeria (GON) welcomed foreign investment in all sectors of the economy, lowering tariffs and completely removing import bans on food commodities were not possible until local industries could compete in the international marketplace. The GON's position could change, one official said, if it could find more effective ways to expand its industrial base, and he requested the USG send a technical trade team to discuss WTO-compliant subsidies and other incentives to nurture industries. The Finance Minister inquired about the status of Treasury Secretary Paulson's Africa Strategy. End Summary.

[1](#)2. (SBU) Under Secretary Reuben Jeffery (U/S), and the Ambassador met with Minister of State for Finance (MOSFIN) Remi Babalola and briefly with Finance Minister Shamsuddeen Usman in Abuja on July 24 to discuss the status of economic reforms, barriers to foreign direct investment, Nigeria's trade regime, and efforts to enhance fiscal responsibility.

[1](#)3. (SBU) MOSFIN Babalola explained that the GON is focused on three main issues - violence in the Niger Delta, increasing electricity supplies and how to pay for it, and improving infrastructure to strengthen transportation links. He said the Niger Delta issues were "brewing over from there to the rest of the country," and that bringing prosperity to the region was part of the solution. Referring to specific programs, the Ambassador stressed that the USG had offered to help, but was waiting for concrete responses from the GON.

[1](#)4. (SBU) Babalola contended the investment climate in the power sector was robust, the general outlook for investment and growth was bright, and that U.S., Indian, and Chinese companies were investing in Nigeria. In addition, he said, India and South Africa would be providing technical experts for the transportation sector, especially for road building and railway construction. Babalola stressed that the economy could not function without the free internal movement of goods and services.

[1](#)5. (SBU) On food security, Babalola argued that the GON actively encouraged investment in domestic industries and maintained high tariffs to protect them. Once domestic industries were further developed and able to compete in the international market, then the

GON would consider lowering tariffs and removing import bans, he said. Econ Counselor emphasized that World Trade Organization (WTO) standards favored other economic incentives to support expansion of the manufacturing sector as opposed to relying on high tariffs and import bans. In response, Babalola requested that the USG send a technical trade team to discuss WTO-compliant mechanisms to nurture industries.

¶6. (SBU) The U/S noted the GON's foreign ownership restrictions on Nigerian banks and encouraged officials to consider the long-term detrimental implications of such constraints, which may deter foreign direct investment (FDI). He said an open and free international investment regime was vital for a stable and growing economy. Babalola replied that banking restrictions prevented multinational banks ("big boys") from taking over domestic banks and dominating the sector, but stressed that investment in the sector -- short of mergers with, and acquisitions of, Nigerian banks -- was welcome. He underscored that these restrictions would likely stay in place for the time being (reftel B).

¶7. (SBU) Babalola was upbeat about the Nigerian macroeconomic situation, reporting that Nigerian foreign debt was four percent of GDP, and domestic debt was less than ten percent of GDP. He expressed concern about the 12 percent inflation level reported in July 2008, but predicted it would decrease to 9.4 percent by December 2008. He hinted at possible changes in President Yar'Adua's cabinet, but did not go into details.

¶8. (SBU) In a subsequent drop-by meeting with the Finance Minister, Usman highlighted GON efforts to attract foreign investment and agreed to exchange information with the Ambassador on investment-related conferences sponsored either by the Ministry or

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by U.S.-based industry associations. Usman also inquired about the status of Secretary Paulson's Africa Strategy, which the Treasury Secretary had discussed in his meeting with African finance ministers on the margins of the Spring 2008 Bank/Fund Meetings.

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